

VILLISCA MUNICIPAL POWER PLANT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JANUARY 1, 2020 THROUGH DECEMBER 31, 2020

VILLISCA MUNICIPAL POWER PLANT
Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	2
DETAILED FINDINGS AND RECOMMENDATIONS:	<u>Finding</u>
Segregation of Duties	A 4
Reconciliation of Petty Cash	B 4
Business Transactions	C 4

VILLISCA MUNICIPAL POWER PLANT
OFFICIALS
December 31, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Darwin Williams	Board Chair	December, 2022
Carl Johnson	Board Member	December, 2024
Kathy Freeman	Board Member	December, 2025
Kyle Yates	Superintendent	Indefinite
Tammie Bodwell	Administrative Assistant	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board Members of the
Villisca Municipal Power Plant

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of certain Iowa entities. Accordingly, we have applied certain procedures to selected accounting records and related information of the Villisca Municipal Power Plant for the period January 1, 2020 through December 31, 2020, including procedures related to the Power Plant's compliance with certain Code of Iowa requirements identified below. The Villisca Municipal Power Plant's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the Power Plant's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We observed selected Power Plant Board meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the Power Plant's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the Administrative Assistant's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the Power Plant Board.
5. We scanned Power Plant funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

To the Board Members of the
Villisca Municipal Power Plant

6. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
7. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
8. We traced selected receipts to accurate accounting and consistency with the recommended COA.
9. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
11. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the Power Plant. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the Power Plant, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the Power Plant, including the Power Plant's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Gwendolyn, Ben, Lynn & Co. P.C.

Atlantic, Iowa
February 23, 2021

DETAILED FINDINGS AND RECOMMENDATIONS

VILLISCA MUNICIPAL POWER PLANT

Detailed Findings and Recommendations

For the period January 1, 2020 through December 31, 2020

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Power Plant's financial statements. Generally, one individual has control over each of the following areas for the Power Plant:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the Power Plant should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including the Board of Trustees. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Petty Cash - A monthly reconciliation of petty cash is not performed.

Recommendation - The Power Plant should perform monthly reconciliations of petty cash. Review of the monthly reconciliations should also be documented by signing or initialing and dating the reconciliations.

- (C) Business Transactions - Business transactions between the Power Plant and Power Plant employees or officials which may represent conflicts of interest are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Kyle Yates, Superintendent Father-in-law owns Kendrick and Heard	Supplies	\$ 80.97
Ryan Hanson, Employee Owner of Splash-N-Dash Car Wash	Car wash	57.45

In accordance with Chapter 362.5(K) of the Code of Iowa, the above purchases do not appear to represent a conflict of interest since the total transactions for each business were less than \$2,500 during the year.

* * *